



U.S. Immigration
and Customs
Enforcement

News Release

October 19, 2005

EX-U.S. NAVY INTELLIGENCE OFFICER PLEADS GUILTY IN ARMS EXPORT SCHEME

Defendant claims plot was masterminded by high-profile Pakistani weapons trader

SAN DIEGO – A former Naval intelligence officer from Escondido pleaded guilty here yesterday to three counts of illegally exporting military aircraft parts as a result of an extensive joint investigation by U.S. Immigration and Customs Enforcement (ICE) and Defense Criminal Investigative Service (DCIS).

George Charles Budenz II, 60, a retired Navy commander, faces more than six years in prison after admitting that he illegally exported engine parts for the U.S. F-5 fighter jet, the T-38 military trainer jet, and Chinook military helicopters to Malaysia and Belgium without the required export license. He is free on \$35,000 bond pending his sentencing January 9.

Budenz said he made the illegal exports at the direction of Arif Ali Durrani, 56, a Pakistani national convicted in 1987 of exporting missile guidance systems to Iran. Durrani, who remains in federal custody in San Diego, was charged last month in connection with the scheme. His next scheduled court appearance is November 28.

“This case demonstrates the tenacity of criminals who illegally export licensed commodities and the perseverance of ICE agents who unraveled a complex criminal conspiracy involving a notorious arms trafficker,” said Serge Duarte, deputy special-agent-in-charge for ICE investigations in San Diego. “Mr. Durrani was the mastermind behind the scheme and Mr. Budenz was his lieutenant who facilitated the exportation of the military parts on this side of the border.”

The indictment for Durrani alleges that he conspired with Budenz and another local man, Richard Tobey of Temecula, California, to export from the United States defense articles designated on the U.S. Munitions List without first having obtained a license or written authorization for such export from the Department of State in violation of Title 18, U.S.C. Section 371 (Conspiracy) to wit: violation of Title 22, U.S.C. Section 2778 (Arms Export Control Act). By law, anyone attempting to export U.S. defense articles must be registered with the State Department and must apply for and receive a license or other approval for export of the defense articles.

According to court records, Budenz stated he met Durrani in 1999 and the Pakistani national told him about his prior conviction for arms trafficking, which prevented Durrani from doing business in the United States. Budenz agreed to serve as Durrani's agent here, helping him locate, purchase, and ship aircraft parts. When investigators searched Budenz's Escondido home earlier this year, they found documents related to parts orders, including one bearing a notation instructing Budenz to "remove all paperwork from the package and neutralize them prior to shipment." Budenz claims Durrani faxed him those directions.

Durrani and Budenz are accused of conspiring to illegally export an amplifier for the General Electric J85 turbine jet engine from the United States to Malaysia on or about December 24, 2004, and conspiring to export two additional amplifiers for the same engine to Malaysia on or about January 14, 2005. These amplifiers were designed for the J85 engine, which is specifically used on the F-5 military fighter jet and the T-38 military trainer aircraft.

In addition, the two men are accused of conspiring to illegally export an afterburner actuator for a J85 turbine jet engine from the United States to Belgium on or about January 14, 2005. This afterburner actuator was designed for the J85 engine, which is specifically used on the F-5 military fighter jet and the T-38 military trainer aircraft.

Tobey, who pleaded guilty last August in San Diego federal court to conspiracy charges to violate the Arms Export Control Act, admitted that he was instructed by Durrani to export a canopy panel for the T-38 military trainer jet to the United Arab Emirates without obtaining State Department approval.

For Durrani, the San Diego case is just the latest in a string of investigations linking him to arms trafficking. In October 1986, ICE agents in Connecticut arrested him on charges that he had illegally exported guidance systems for the HAWK anti-aircraft missile from the United States to Iran. Durrani unsuccessfully argued that his actions were part of a U.S. government-sanctioned covert operation in connection with the Iran-Contra affair. Among other claims, Durrani alleged that Lt. Col. Oliver North, the former National Security Council aide, authorized his arms shipments to Iran. In April 1987, Durrani was convicted on three counts of violating the Arms Export Control Act.

The following year, the State Department statutorily debarred Durrani from exporting any defense articles from the United States. Durrani served his sentence and was released from prison in September 1992. In 1995, Durrani was ordered deported from the United States. In January 1998, Durrani voluntarily left the United States. Ultimately, he took up residence in Baja, Mexico.

On June 12, 2005, Mexican law enforcement officials arrested Durrani for being in Mexico illegally. Days later, Durrani was being deported by Mexican authorities to his native Pakistan when ICE agents met his connecting flight in Los Angeles. Upon his arrival, ICE agents arrested Durrani pursuant to a sealed indictment and arrest warrant issued in the Central District of California in May 1999. The indictment resulted from an investigation by ICE agents in Oxnard that began in 1993.

The 1999 indictment, which was unsealed at his initial court appearance in June, charged Durrani with two counts of violating the Arms Export Control Act. Specifically, the indictment alleged that Durrani's now defunct company, Lonestar Aerospace in Ventura, California, illegally exported more than 100 compressor blades for the General Electric J-85 military jet engine to foreign customers in 1994. Those charges were dismissed last month paving the way for Durrani's prosecution in the Southern District of California on the new charges.

ICE

U.S. Immigration and Customs Enforcement was established in March 2003 as the largest investigative arm of the Department of Homeland Security. ICE is comprised of four integrated divisions that form a 21st century law enforcement agency with broad responsibilities for a number of key homeland security priorities.